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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

DIVERSI-PLAST PRODUCTS, INC., a
Minnesota Corporation,

Plaintiff,

v.

BATTENS PLUS, INC., a California
Corporation,

Defendant.

AND RELATED COUNTERCLAIMS

Case No. 2:04CV01005 PGC

**REQUEST FOR LEAVE TO AMEND
ANSWER**

I. INTRODUCTION

Defendant Battens Plus, Inc. ("Battens Plus") requests leave under Federal Rule of Civil Procedure 15(a) to amend its Answer to add (1) the affirmative defense of intervening rights and (2) an abuse of process counterclaim.

II. ANALYSIS

All hyperbole aside, it would be difficult to find a more egregious instance of abuse of process. In this patent infringement action, the patent owner is asserting a patent claim it admits is unenforceable. The patent owner, moreover, admits it is impossible to even make the invention the patent claim describes.

To “correct” these fundamental problems, the patent owner requested that the Patent Office amend the claim in a reissue proceeding. Before any amendments were made, however, and asserting the admittedly unenforceable and impossible-to-practice claim, the patent owner sued Battens Plus for infringement of the claim—and then refused to stay the case until the claim was amended to correct its fundamental problems.

To its significant financial detriment, Battens Plus has been forced to litigate through expert discovery the issue of whether it infringed a patent claim that cannot be infringed. The motivation to bring this lawsuit was clearly not to enforce a valid patent claim—there admittedly is none—but rather to drain resources from a smaller competitor with a superior product and to cause a rift between the competitor and the manufacturer of its product.

III. BACKGROUND

Through an assignment from the alleged inventor, Plaintiff Diversi-Plast Products, Inc. (“Diversi-Plast”) is the owner of U.S. Patent No. 6,357,193 (“the ‘193 Patent”). Complaint at ¶6. The ‘193 Patent issued in March of 2002 and disclosed a system for installing battens on roofs to prevent water accumulation between roof tiles. *Id.*

In March of 2004, Diversi-Plast requested that the Patent Office reissue the ‘193 Patent. Exhibit A. A patent owner may request reissue when it “believes the original patent to be wholly or partly inoperative or invalid by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than the patentee had the right to claim in the patent.” 37 C.F.R. § 1.175; 35 U.S.C. § 251.¹ In this case, Diversi-Plast requested reissue because

¹ Patents in reissue proceedings, for this reason, do not enjoy a presumption of validity. *In re Sneed*, 710 F.2d 1544, n.4 (Fed. Cir. 1983).

“claim 2 is indefinite because it is impossible for a multiplicity of cross plies to extend between a single first ply, as recited in claim 1.” Ballard Declaration, Exhibit A, p. 4 at ¶10. In short, Diversi-Plast admits—in fact asserts—that the structure disclosed in claim 2 is impossible to make.²

Nonetheless, before any changes to claim 2 were made, Diversi-Plast filed suit against Battens Plus asserting that it infringed the ‘193 Patent. Complaint at ¶10. The only patent claim being asserted, however, is claim 2—the same indefinite claim that describes an invention that cannot be made. Ballard Declaration, Exhibit B at Response #1.

IV. APPLICABLE LAW

Leave to amend pleadings “shall be freely given when justice so requires.” Fed. Rule Civ. Proc. 15(a); *Kontirck v. Ryan*, 540 U.S. 443, 459 (2004) (an answer may be amended under Rule 15(a) to include an omitted affirmative defense); *Atiya v. Salt Lake County*, 988 F.2d 1013, 1018 (10th Cir. 1993). Leave to amend is generally refused only on “a showing of undue delay, undue prejudice to the opposing party, bad faith or dilatory motive, failure to cure deficiencies by amendments previously allowed, or futility of amendment.” *Duncan v. Manager, Dept. of Safety*, 397 F.3d 1300, 1315 (10th Cir. 2005) (internal citation omitted).

V. BATTENS PLUS SEEKS LEAVE TO ADD AN ABUSE OF PROCESS COUNTERCLAIM

A. Applicable Law

Under Utah law an abuse of process claim can be raised as a counterclaim in the same action that is allegedly abusive. *Ashley Creek Phosphate Co. v. Chevron USA*, 315 F.3d 1245, 1265-66 (10th Cir. 2003)³ To establish a claim for abuse of process, a claimant must

² By filing to reissue the ‘193 Patent Diversi-Plast admits the claim is unenforceable. 37 C.F.R. § 1.175. These admissions are binding on Diversi-Plast and must be applied when interpreting claim 2. *Howes v. Medical Components, Inc.*, 814 F.2d 638, 645 (Fed. Cir. 1987).

³ In certain jurisdictions an abuse of process claim is a compulsory counterclaim. See *Pochiro v. Prudential Ins. Co. of America*, 827 F.2d 1246, 1252-53 (9th Cir. 1987) (and cases cited therein). But see *Arch Mineral Corp. v. Lujan*, 911 F.2d 408, 412 (10th Cir. 1990)

demonstrate (1) an ulterior purpose and (2) an act in the use of the process not proper in the regular prosecution of the proceedings. *Anderson Development Co. v. Tobias*, 116 P.3d 323, 341 (Utah 2005) (internal citations omitted).

B. The Abuse Of Process Counterclaim In Context

A patent is a “special privilege” designed to serve the public purpose of promoting the useful arts and is an exception to the general rule against monopolies. *Precision Instrument Co. v. Automotive Co.*, 324 U.S. 806, 816 (1945). The public, therefore, has a “paramount interest” in seeing that patent monopolies are kept within their legitimate scope. *Id.*; *see also In re Lockwood*, 50 F.3d 966, 981 (Fed. Cir. 1995) (“the issue of validity of a patent involves *public rights*, not merely *private rights*.”) (emphasis in original).

C. Diversi-Plast’s Ulterior Motive

If permitted the opportunity to amend, Battens Plus will demonstrate that Diversi-Plast’s motive for bringing this suit (1) was not to enforce its right to exclude Battens Plus from making or selling the invention described in claim 2 but rather to drain through litigation the financial resources of Battens Plus—a small company that created a product Diversi-Plast could not beat in the marketplace and (2) to intimidate and coerce Battens Plus’ manufacturer to stop making Battens Plus’ product.

These ulterior motives are readily apparent because Diversi-Plast cannot, as a matter of law, prevail on its infringement claim. This is not a case where undisputed facts will simply establish that Diversi-Plast cannot prevail: this is a case where Diversi-Plast admitted before filing suit that the right it sued upon was unenforceable. As noted, claim 2 was admittedly indefinite—and therefore invalid under 35 U.S.C. § 112—and described an invention impossible

(“[w]here a defendant acquires a claim after his answer has been filed it is not a compulsory counterclaim even if it arises out of the same transaction.”).

to make.⁴ If claim 2 was unintelligible to Diversi-Plast, it cannot be anything but unintelligible to Battens Plus. Invalid patent claims cannot, of course, give rise to liability for infringement. *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1583 (Fed. Cir. 1983).

Diversi-Plast's reissue attempt to "correct" claim 2 cannot justify this lawsuit.⁵ The Patent statutes do contemplate that patents in reissue proceedings may concurrently be involved in litigation. 35 U.S.C. § 252. The rule, however, is that if a reissue patent issues during litigation brought to enforce the original patent, the lawsuit can continue only if the reissue patent claims are identical to the original claims sued upon. 35 U.S.C. § 252; *Bloom Engineering Co. v. North American Mfg.*, 129 F.3d 1247, 1249 (Fed. Cir. 1997).⁶ This is because the original patent is surrendered when the reissue patent issues. 35 U.S.C. § 252. If the reissue patent claim being asserted is identical, the case proceeds—if not, the case is dismissed.

The term "identical" does not mean that the claim being asserted remains verbatim, but it does mean that the claim cannot have undergone "substantive change" during reissue. *Seattle Box Co. v. Industrial Crating & Packing, Inc.*, 731 F.2d 818, 827-28 (Fed. Cir. 1984). Claims that are "identical" are those that have been changed to clarify the text or to make the claim more definite without affecting the scope of the claim. See *Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 977 (Fed. Cir. 1986). Even subtle changes to a claim are substantive if they alter the scope of the claim.⁷

⁴ The Patent Office Examiner reviewing the '193 Patent has rejected every claim in the patent and is currently considering Diversi-Plast's argument why the '193 Patent should not be cancelled outright. Ballard Declaration, Exhibit C.

⁵ If Diversi-Plast filed suit for infringement of claim 2 and then determined the claim required clarification, its request to reissue the '193 Patent might be justified.

⁶ It is a question of law whether the reissue claims are identical to the original claims. *Westvaco Corp. v. International Paper Co.*, 991 F.2d 735, 741 (Fed. Cir. 1993).

⁷ See e.g. *Quantum Corp. v. Rodine, PLC*, 65 F.3d 1577 (Fed. Cir. 1995) (holding that "at least approximately 600 TPI" was not identical to "at least 600 TPI.").

Here, Diversi-Plast asserted—before filing suit—that claim 2 described a structure that was impossible to make. Any amendments to claim 2 to describe a structure that can be made are, by definition and as a matter of law, substantive changes. See *Westvaco*, 991 F.2d at 741 (“To the extent the reissue claims change ‘the precise placement of the material layers within the structure,’ the claim cannot be construed as a *mere* clarification, but must be construed as changing the scope of the original claim.”) (emphasis in original). Diversi-Plast, moreover, expressly sought to enlarge the scope of claim 2 in its Request for Reissue. Ballard Declaration, Exhibit A, p. 8 at ¶2. There is no prospect—at all—of claim 2 surviving the reissue proceeding in a form “identical” to the original claim 2. Making substantive changes to claim 2 during reissue creates, as a matter of law, an irrebuttable presumption that the original claim 2 was materially flawed. *Westvaco*, 991 F.2d at 741.

In short, there was never any possibility that this lawsuit could prevail—claim 2 was, and is, admittedly unenforceable (and unintelligible) and any reissue claim that may issue will be substantively different from the original claim 2. Diversi-Plast knew all of this before filing suit because its patent attorneys filed not only the original patent application but the reissue application and this lawsuit as well. The purpose of this lawsuit was not to win on the merits, but to win in the marketplace by dragging a smaller competitor through costly litigation.

D. Diversi-Plast’s Improper Acts

If permitted the opportunity to amend, Battens Plus will demonstrate that at least the following acts by Diversi-Plast were improper:

- Filing suit to enforce an admittedly unenforceable patent claim. Diversi-Plast filed suit knowing that claim 2 did not enjoy the statutory presumption of validity. This conduct is wrongful in itself and may give rise to antitrust liability. *Walker, Inc. v. Food Machinery*, 382 U.S. 172, 176-77 (1965); *In re Independent Svc.*

Org. Antitrust, 203 F.3d 1322 (Fed. Cir. 2000) (antitrust liability attaches to sham litigation.).⁸

- Maintaining the suit even: (1) after the Patent Office granted Battens Plus' Request for Reexamination in which it found substantial new questions of patentability as to each of the '193 Patent claims (Exhibit D), and (2) after the Patent Office rejected all the claims in the '193 Patent (Exhibit C). Diversi-Plast should have, at the very least, sought to stay this action until it had some basis to conclude that claim 2 could lawfully be enforced.
- Issuing a subpoena to third-party Inteplast Corporation (the manufacturer of Battens Plus' allegedly infringing batten) and demanding: (1) documents detailing Inteplast's cost to manufacture the battens, (2) the per unit price Inteplast charged Battens Plus, (3) the profit Inteplast realized for those products, and (3) Inteplast's manufacturing and quality control manuals. Exhibit E. This discovery was clearly not relevant to Diversi-Plast's allegation that Battens Plus infringed claim 2 of the '193 Patent—or any other issue in the case.⁹ Diversi-Plast demanded, over Inteplast's objection, that all of the above information be produced. Diversi-Plast also set, and then cancelled, Inteplast's deposition.

⁸ But see *Roska ex. rel Roska v. Peterson*, 328 F.3d 1230, 1245 (10th Cir. 2003) ("actions motivated purely by spite will not support a claim if process is ultimately used only to accomplish the result for which it was created."). In this case, however, Diversi-Plast's assertion of its unenforceable patent monopoly was not simply a private dispute brought for "spite" but rather an attempt to wrongfully use the state's power and constituted a wrong directed against the public as a whole. *Smith Intern., Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577-78 (Fed. Cir. 1983) ("The grant of a patent is the grant of the right to invoke the state's power in order to exclude others from utilizing the patentee's discovery without his consent.").

⁹ The only cost information potentially relevant to Diversi-Plast's calculation of its damages would be Battens Plus' costs to purchase its battens—not Inteplast's costs to make the battens. See *GTFM, Inc. v. Solid Clothing, Inc.*, 215 F. Supp. 2d 273, 305 (S.D.N.Y. 2002) (calculating lost profits means "net profits" which requires estimating the revenue lost due to the infringing conduct and subtracting what it would have cost to generate that revenue.). Diversi-Plast had no need for any financial information from Inteplast.

These acts are all improper and are abuses of the litigation process begun, ostensibly, to protect Diversi-Plast's unenforceable patent right.

In particular, demanding confidential and highly sensitive financial and manufacturing information from third-party Inteplast when that information had no relevance to any claim or defense in this action was clearly an improper attempt to interfere with Battens Plus' relationship with its manufacturer and to intimidate Inteplast into stopping its production of Battens Plus' batten.

VI. BATTENS PLUS SEEKS LEAVE TO ADD INTERVENING RIGHTS AS AN AFFIRMATIVE DEFENSE

When a reissue patent issues, the original patent is surrendered. 35 U.S.C. § 252. If there is ongoing litigation to enforce claims in the original patent, the defendant can be held liable only if (1) the reissue claim being asserted is identical to the original claim and (2) infringement of the reissue claim is established. *Id.*

If the reissue claim is substantively different from the original claim, the defendant cannot be held liable for any use of the invention claimed in the original claim. *Superior Fireplace Co. v. The Majestic Prod.*, 270 F.3d 1358, 1373 (Fed. Cir. 2001) ("Reissued patent claims that are not substantially identical to the original patent claims also are valid only for the trial of actions for causes arising after the issue of the reissued patent claims.").

In that latter situation, the defendant can also assert an "intervening rights" defense to practice the invention claimed in the reissue claim. Intervening rights is an affirmative defense and protects a defendant's investment in products that were not covered by the plaintiff's original claim but which are covered by the plaintiff's reissue claim. *Underwater Devices v. Mmorrison-Knudsen Co.*, 717 F.2d 1380, 1388 (Fed. Cir. 1983); *Shockley v. Arcan*, 248 F.3d 1349, 1359-61 (Fed. Cir. 2001). In short, intervening rights protect the defendant's investment made in products it could previously sell lawfully but which can no longer be sold without permission from the patent owner due to the reissued claim.

Battens Plus requests leave to add the affirmative defense of intervening rights due to the remote possibility that the Patent Office reissues claim 2 of the '193 Patent and the claim describes a product or process that Battens Plus would infringe by virtue of its batten sales.¹⁰

VII. CONCLUSION

Battens Plus respectfully requests that the Court grant Battens Plus leave to file the attached Second Amended Answer and Counterclaims. The Second Amended Answer includes a new Seventh Affirmative Defense of Intervening Rights, and a new Third Counterclaim for Abuse of Process. The Second Amended Answer also deletes three counterclaims previously dismissed with Court approval. See Docket #49.

DATED: March 17, 2006

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¹⁰ As an affirmative defense, intervening rights must be pled and raised at trial or else the defense is waived. *Windsurfing Intern. Inc. v. AMF, Inc.*, 782 F.2d 995, 1002-03 (Fed. Cir.1986).